

Update on Debt Collection

Gail B. Henderson, Deputy Director, Birmingham Debt Management Center
Anita Triantafilledes, Contract Team Lead, Private Collection Division
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Overview

- Debt Collection Overview
- Cross Servicing Program
- Private Collection Division
- Debt Program Division

Overview of Debt Collection in Fiscal Year 2005

- The Federal Government collected \$145 billion on all of its non-tax receivables.
- Total collections on receivables in FY 2005 increased by \$23.1 billion over FY 2004 collections.
- Since the enactment of DCIA in April 1996, \$23.8 billion has been collected to pay delinquent debts through the TOP and Cross-Servicing Program.
- Total Collections through TOP and Cross-Servicing were \$3.25 billion. Annual collections through these programs have averaged over \$3.0 billion during the last five years.

Overview of Debt Collection in Fiscal Year 2005 (Continued)

- Administrative Offset collections were \$123 million, a \$14 million increase over the \$109 million collected in FY 2004.
- Private collection agencies (PCAs) under contract with the Department of Education, Department of Health and Human Services and Treasury had referrals of \$13.7 billion in delinquent Federal debt.
- PCAs collected \$693.5 million, a 14 percent increase over the \$610 million collected in FY 2004.

Reorganization of Debt Functions

- Birmingham Debt Management Operations Center
- Headquarters (Washington, DC)

Cross-Servicing

**Gail B. Henderson, Deputy Director
Birmingham Debt Management
Operations Center**

Cross-Servicing Program

GOALS:

- ✓ Collect Debt;
- ✓ Resolve Debt;
- ✓ Remove Debt from the Government's Receivables;
- ✓ Centralize Government Debt Collection.

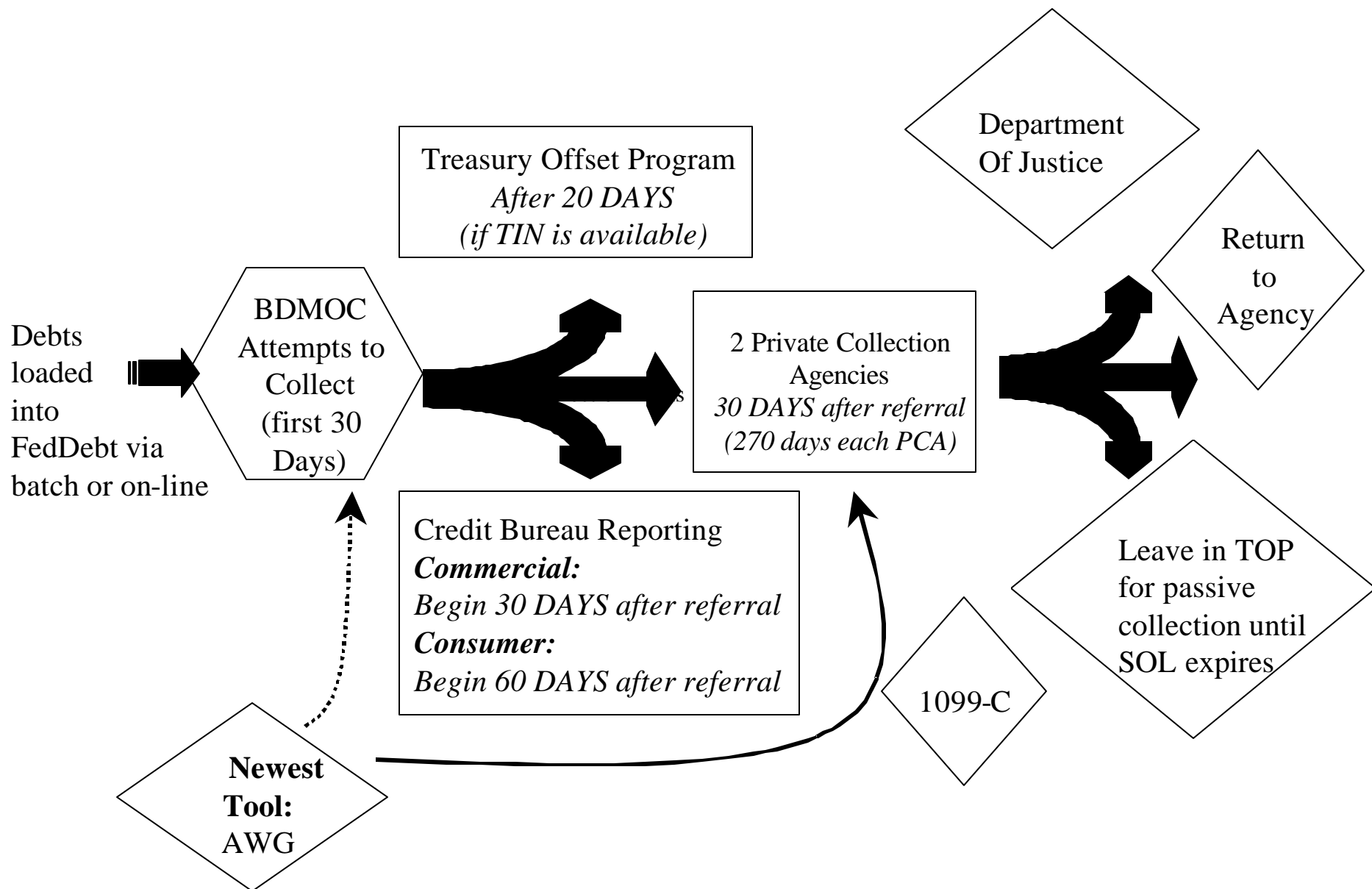
How Agencies Participate

- Letter of Agreement detailing responsibilities of DMS and Creditor Agency
- Agencies must certify that:
 - debts are valid and legally enforceable in order to refer
 - due process has been completed
- Once LOA is signed and debt referrals begin, the Agency ceases all collection activity.

Cross-Servicing Collection Tools

- Demand letters & Phone Calls
- Payment Agreement Options
- Credit Bureau Reporting
- Treasury Offset Program
- Administrative Wage Garnishment
- Private Collection Agencies
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout

Collection Process Overview



New Approach- Enterprise Architecture Study

- FedDebt is Debt Management Service's new Debt Management System which replaced the previous DMSC Cross-Servicing system.
- FedDebt design is more flexible to handle the large variety of debt types.
- Integrated Agency Interface (IAI) File Formats.

System Framework

FedDebt is a debt & debtor based system which allows:

- DMS to better handle joint & several debts
- A demand letter to be sent to each debtor
- Users can update debt and/or debtor information
- Multiple Payment Agreements possible for a debt
- Removal of a debtor from the debt without closing the entire debt

Creditor Agency On-Line Access

Allows Creditor Agency users to:

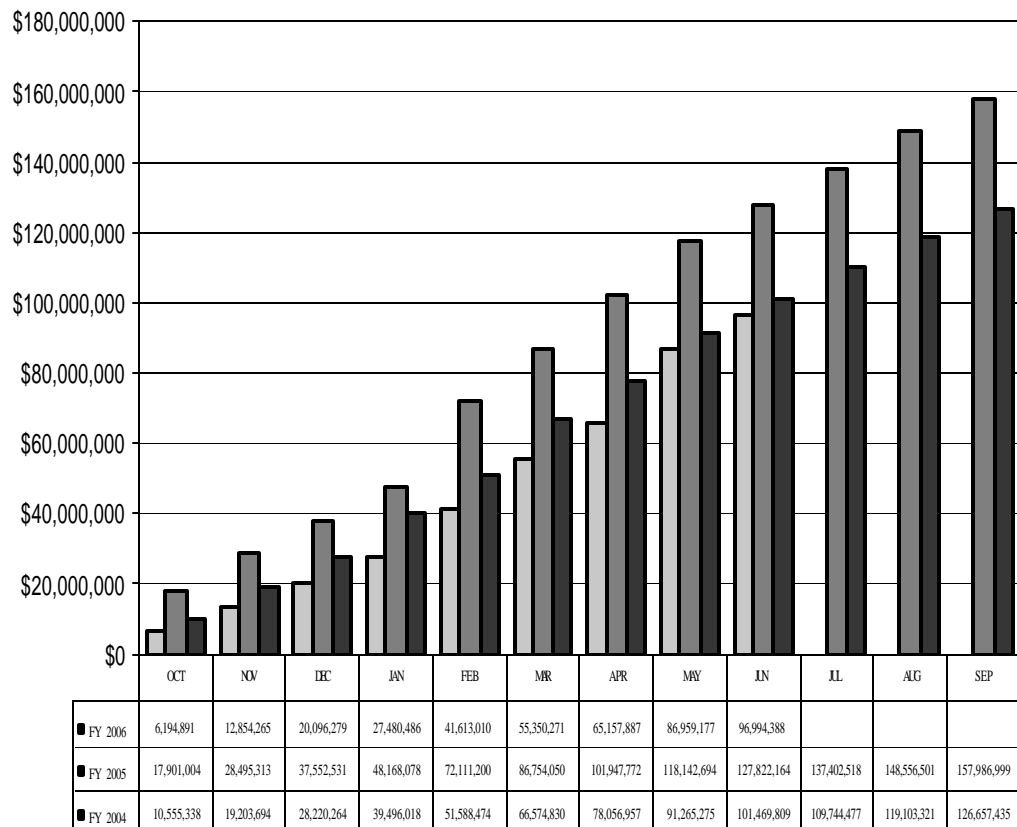
- access the Creditor Agency Profile and update contacts
- view system debts
- enter financial transactions such as payment, reversals and adjustments
- enter recall requests

Manual Debt Referrals

***Number of
Manual Referrals
are Decreasing!***

CROSS-SERVICING COLLECTIONS

Cross-Servicing Comparison FY 2004 Through FY 2006 Collections as of June 30, 2006



After a slow first quarter of Fiscal Year 2006 due to the implementation of Fed Debt, Cross-servicing collections have continued to rise with almost \$100 million for the year.

COLLECTIONS SINCE INCEPTION

\$ 305.4 MILLION FOR PCAs
\$ 235.7 MILLION FOR DMS
\$ 138.7 MILLION FOR TOP
\$ 679.8 MILLION TOTAL

ACTIVE PAYMENT AGREEMENTS

DMS	3,774	\$20,778,022
PCA'S	3,466	\$19,622,334
TOTAL	7,240	\$40,400,357

Cross-Servicing

Points of Contact

J. Scott Spell, Branch Manager
Customer Relations Branch
(205) 912-6201

Juanita Franklin, Section Supervisor
Customer Relations Branch
(205) 912-6339

Shirley Williams-Jefferson, Team Leader
Agency Support Division (Washington, DC)
Training and Education
(202) 874-7399

Creditor Agency Toll Free Number
(800) 858-0725

Private Collection Division

**Anita Triantafilledes, Contract Team Lead
Private Collection Division**

Private Collection Agencies (PCAs)

Debts are Generally Sent to PCAs 30 Days after Referral to FMS. PCAs are Expected to Perform Nationwide Debt Collection, Including:

- Consumer and Commercial Debt;
- Different Types of Debts (Fines, Fees, Overpayments, Medical);
- Varied Ages;
- Varied Values (\$100 to millions).

PCA Contract Goals

- Collect Debt;
- Resolve Debt;
- Create Competitive
Environment;
- Evaluate Performance.

Basic Contract Requirements

Collection Process:

- Pre-Approved Collection Letters;
- Perform Skip-Tracing;
- Receive and Process Debtor Disputes;
- Payment Agreements;
- Administrative Wage Garnishment;
- Administrative Resolution (Death, Bankruptcy, Disability with Inability to Pay, or Entity out of Business).

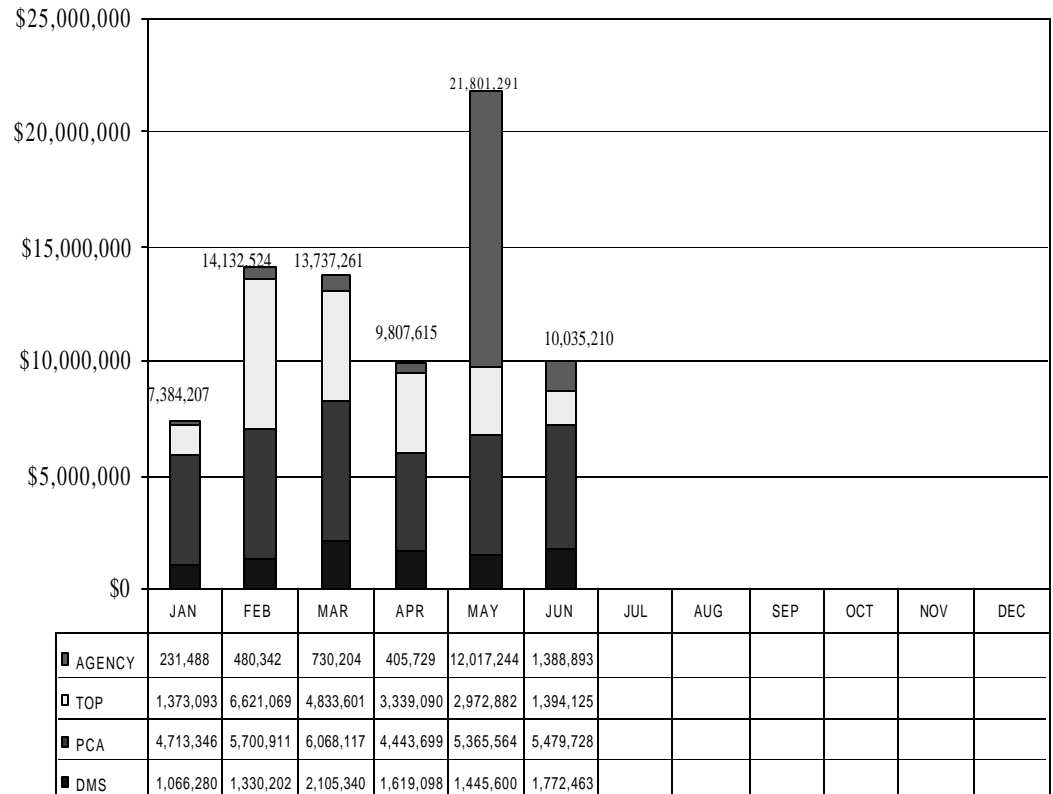
CROSS-SERVICING COLLECTIONS

CY 2006 Collections of DMSC, PCA, TOP and Agency as of June 30, 2006

Since February 2006, monthly collections for Cross-servicing collections have averaged almost \$14 million per month .

Calendar Year 2006 to Date Collections	
DMS =	\$9,338,983
PCA =	\$31,771,366
TOP =	\$20,533,861
AGENCY=	\$15,253,900
TOTAL =	\$76,898,108

Fiscal Year 2006 to Date Collections	
DMS =	\$12,321,856
PCA =	\$45,012,672
TOP =	\$23,018,340
AGENCY=	\$16,641,519
TOTAL =	\$96,994,388



Administrative Wage Garnishment (AWG)

- As Authorized by the Debt Collection Improvement Act of 1996, AWG Allows Federal Agencies to Garnish up to 15% of the Disposable Pay of Debtors who do not Work for the Federal Government, Without a Court Order.
- Agencies Need to Publish Regulations and Establish Hearing Procedures to Participate.
- Agency May Choose to Adopt Treasury Regulations.
- Legislation has Passed Allowing FMS Access to the National Directory of New Hires.

AWG – Collections

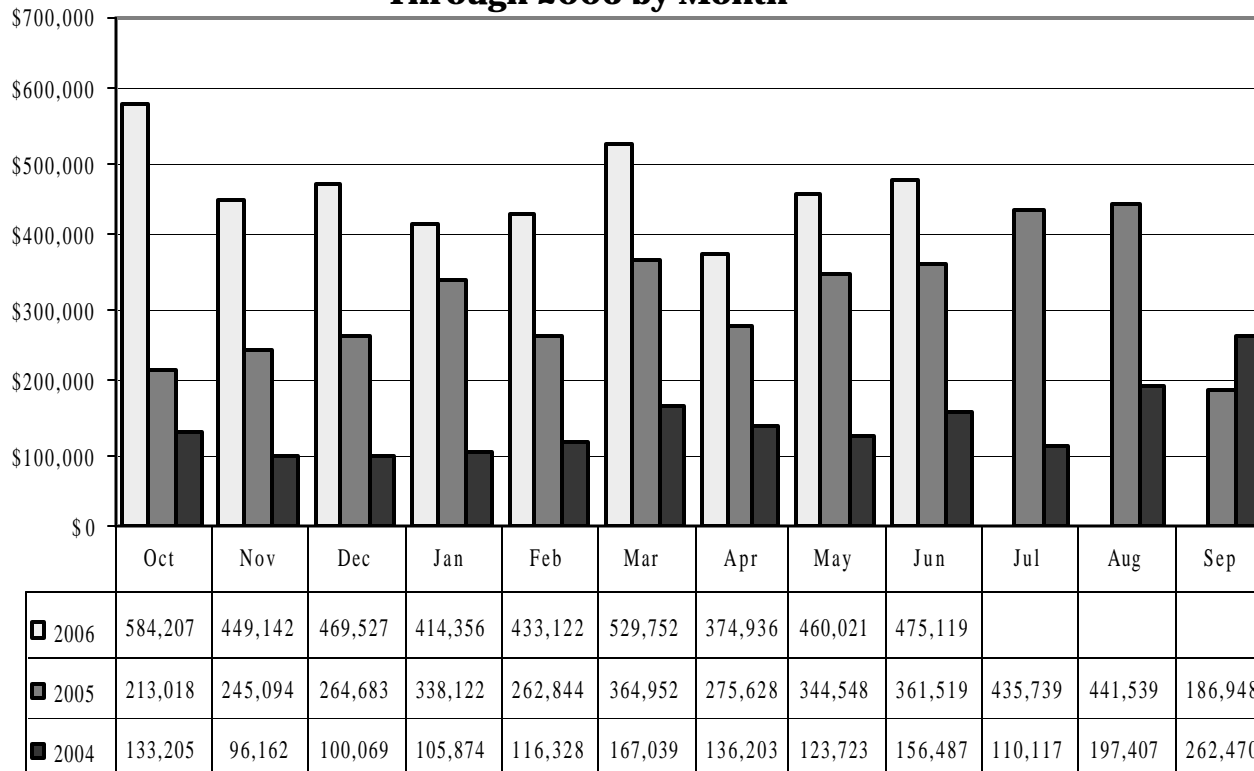
15 Agencies Currently Authorize AWG

- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- Department of Housing & Urban Development
- Securities & Exchange Commission
- Nuclear Regulatory Commission
- Department of Education
- Dept. of Defense (Defense Finance & Accounting Service)
- Department of Energy
- Dept. of the Treasury (DO, BPD, FMS, OCC, U.S. Mint)
- U.S. Agency for International Development
- General Services Administration
- Commodity Futures Trading Commission
- Social Security Administration
- Department of Health & Human Services
- Small Business Administration

CROSS-SERVICING COLLECTIONS ADMINISTRATIVE WAGE GARNISHMENT

As of June 30, 2006

**Comparison of Cumulative Collections for FY 2004
Through 2006 by Month**

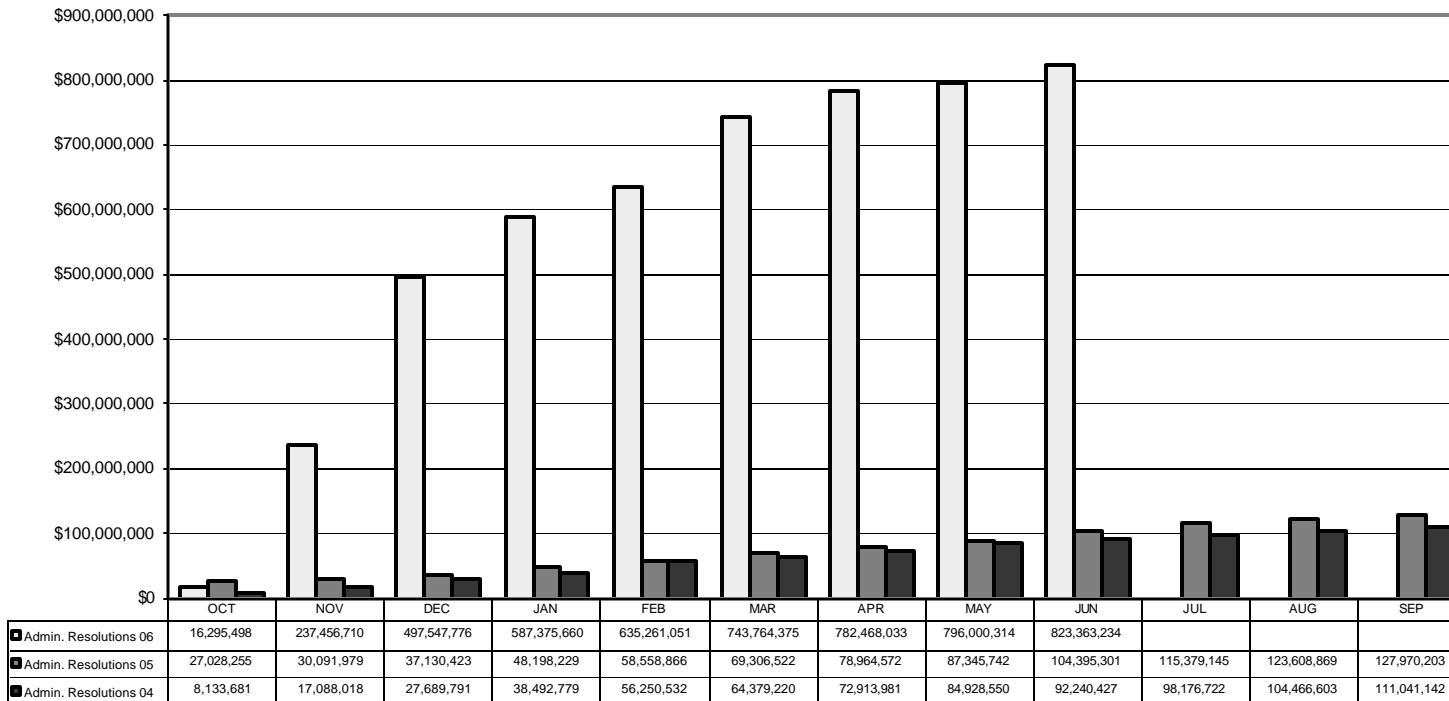


Since the onset of the AWG Program in 2001, overall AWG Collections have surpassed \$10 million through June 2006.

PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS ADMINISTRATIVE DEBT RESOLUTION

As of June 30, 2006

Comparison of Cumulative Debt Resolved Administratively for FY 2004 Through FY 2006



Through June of FY 06, the PCAs have administratively resolved 10,347 debts.

Private Collection Division

Points of Contact

Rick Burnham, Division Director
Private Collection Division
(202) 874-5879

Anita Triantafilledes, Contract Team Lead
Private Collection Division
(202) 874-7208

Treasury Offset Program

Alyssa W. Riedl, Branch Manager
Debt Program Support Branch
Debt Program Division

What is Offset?

- Withholding Funds Payable by the United States to a Person to Satisfy a Debt.
- TOP is a System that Compares Payments with Debts. When a Match Occurs the Payment is Offset to Collect the Debt.

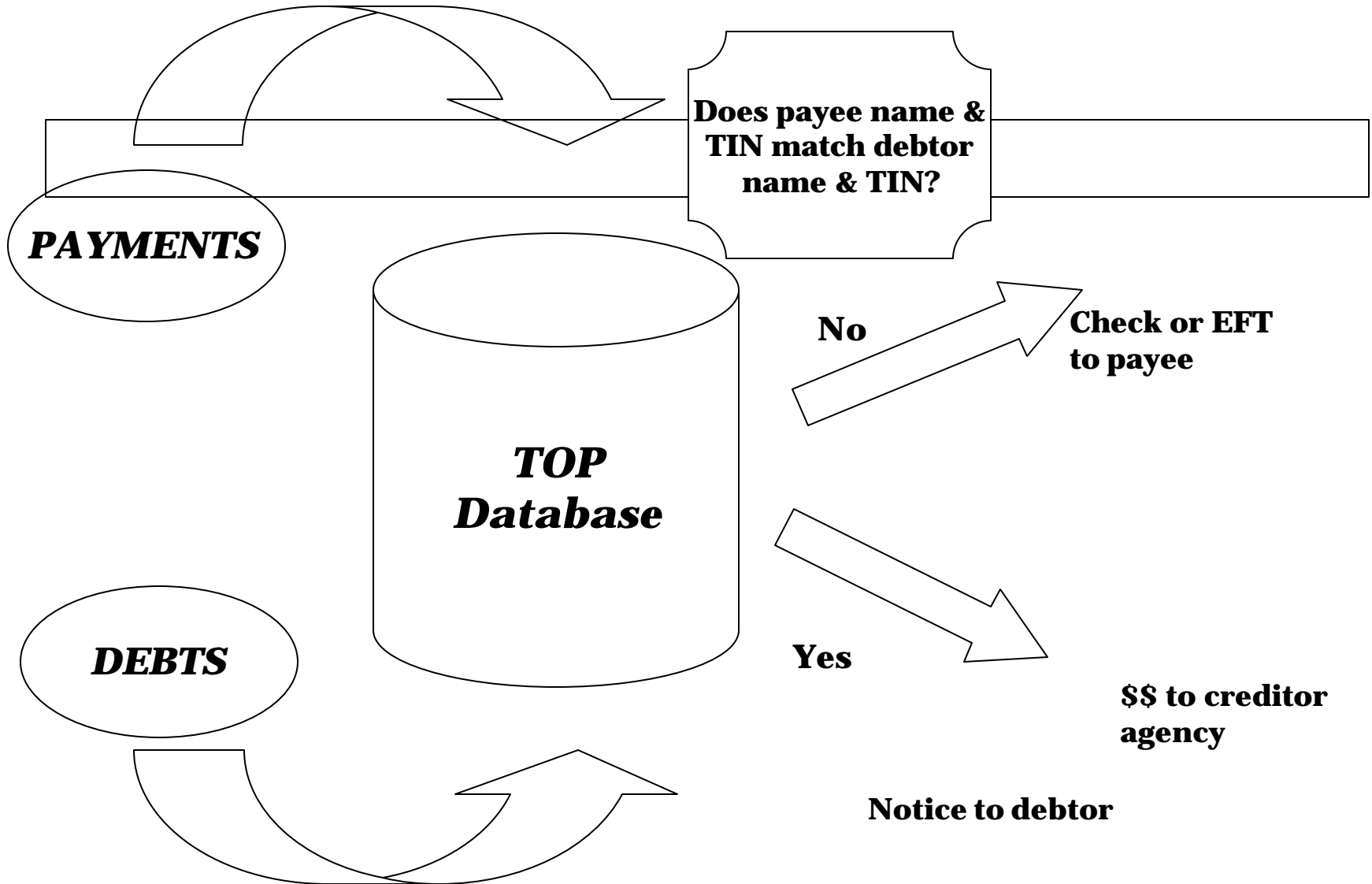
Administrative Offset

Debts

> 180 days

- Requires Agencies to Notify Treasury of All Debts Over 180 Days Delinquent for Purposes of Offset.
- Requires Disbursing Officials to Offset Payments.

TOP Process



Centralized Salary Offset

Participating Salary Paying Agencies:

- ✓ **Interior**
- ✓ **National Finance Center**
- ✓ **DoD-DFAS**
- ✓ **U.S. Postal Service**

As of June 30, 2006
TOP Database Contains:

- **\$36.2 billion in Federal Non-Tax Debts.**
- **\$86.1 billion in Child Support Debts.**
- **\$129.4 billion in Federal Tax Debts.**
- **\$5.7 billion in State Income Tax Debts.**
- **Total - \$257.5 billion!**

CY Collections Through TOP

As of July 12, 2006

- **Administrative Offsets** **\$82.3 million**
- **Tax Refund Offset**
 - Child Support** **\$1.4 billion**
- **Tax Refund Offset**
 - Federal Non-Tax Debt** **\$950.5 million**
- **Tax Refund Offset**
 - State Income Tax Debt** **\$189.4 million**
- **Tax Levy** **\$164.9 million**

State Reciprocal Program

- States will refer debts to TOP for offset against Federal vendor payments and State payments will be matched against Federal debts.
- Working on the draft rule on Administrative Offset Under Reciprocal Agreements with States.
- Pilot to begin in the third quarter of Calendar Year 2007 with Maryland, New Jersey and Kentucky.

Purpose:

- **To Assist Agencies in Collecting Delinquent, Non-Tax Debt by Providing Information to Agencies and Lenders on Whether Individuals and Businesses Applying for Federal Loans, Loan Insurance, and Loan Guarantees have a Debt with the Federal Government (U.S.C. § 3720B and 31 C.F.R. §285.13).**
- **To Provide an Online Resource on Delinquent Debtors for Federal Agencies for Purposes of Carrying Out the Law.**

- Debt Check is a 2 factor, level 3 security application
- Issuing Public Key Infrastructure (PKI) certificates
- Pilot phase with USDA
- Exploring the option of a Portal Between CAIVRS and Debt Check.

As of July 20, 2006, 23,284
Inquiries were Run on the
Debt Check Database. Of
Those Inquiries, There were
116* Full Matches and *90
Partial Matches.

Task Force

- The Cross Agency Federal Contractor Tax Compliance Task Force with Senior Management from FMS, DOD, IRS, DOJ, OMB, and GSA was Established to Address the Recommendations of the GAO Audit and to enhance tax enforcement actions, including the more effective use of the tax levy program.
- Concern raised that purchase card payments are not levied.
 - Determine the extent to which contractors paid with purchase cards owe Federal taxes
 - Evaluate alternatives available to levy or otherwise collect unpaid taxes from those contractors

Legislative Proposals

- Unemployment Trust Fund to Participate in TOP.
- Removal of 10 Year Statute of Limitations on Offsets.
- Allow the offset of federal income tax refunds for delinquent state tax for out-of-state residents.
- Allow the offset of federal benefit payments to collect delinquent child support.

Debt Program Division

Points of Contact

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Debt Program Division
(202) 874-0540

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Debt Program Relations Branch
(202) 874-6727

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Program Support Branch
(202) 874-6859

Questions?